

## **Economics & Politics, Inc.**

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### **Testimony Of Dr. John Husing**

My name is Dr. John Husing. I am a private economist who has studied the economy of San Bernardino and Riverside counties, which we call the Inland Empire, since September 1964, a total of 48 years. I am also the Chief Economist of the Inland Empire Economic Council, an organization dedicated to increasing the prosperity of this region.

At the request of the City of Ontario, I have taken a hard look at contentions about the causes of the decline in passenger traffic and Ontario International Airport (ONT). In addition, I have estimated the economic impact of that decline on the Inland Empire. First, let me characterize the area. In January 2012, the region had 4.29 million people, a number 400,000 larger than Oregon and above 24 of the 50 states. The region had 1.3 million jobs going into the recession and 1.16 million today. A market of this size needs a strong airport. The economy is now in recovery mode having added an average of 24,400 jobs compared to 2011, all of them in the private sector.

At its current pace, ONT will see a -41.2% decline in air passenger traffic from 2007-2012. In that time, the Southern California air service market is down just 6.8%. The steep reduction at ONT has cut its market share from 8.0% in 2007 to 5.4% in 2011.

The -41.2% decline means that 2012 will see 4.24 million air passengers at ONT or essentially the same level as in 1985 when Los Angeles acquired the airport.. Yet since that time, the Inland Empire has added 2.3 million people to reach 4.29, a gain of 120%. Also since 1986, the inland counties have added 585,017 local jobs to reach 1.16 million, a gain of 102% despite the recession. From 1986-2010, the number of Inland Empire firms has gone from 38,779 to 65,024, a gain of 26,245 or 67.7% despite the downturn.

These facts do not support the notion that the performance of the Inland Empire economy is the primary cause of the woeful air passenger traffic levels at ONT. Other factors within the control of the airport operator have played a greater role.

Beyond the low passenger levels, the fact the Inland Empire's air passengers must often have to travel to LAX for decent air service is putting the region's economy at a severe competitive disadvantage. An estimated 1.1 million air passengers are now having to traverse Southern California to LAX. That creates a costly burden on families and businesses, not to mention the impact of adding millions of vehicle miles traveled on to LA area freeways. Using very conservative assumption, I have estimated the combination of ground transportation costs, parking costs and time lost in commuting to and from LAX impose an annual extra cost burden of \$48,300,311 a year on the Inland Empire's economy.

ONT is one of most expensive airport for airlines to use. This has imposed another cost burden on the Inland Empire's economy as airlines increased their prices to compensate. To estimate how much, data on flight costs from ONT and LAX were collected using the 38 destinations that constituted 75.7% of ONT's market (*1,347,861 round trips of 1,780,655*). The base for this analysis was the Airline Origin and Destination Survey compiled by Office of Airline Information of the U.S. Bureau of Transportation Statistics. Ticket prices for one adult, flying coach, round trip, on an any time ticket in 2012 showed that flights cost average 18.1% higher at ONT to these destinations compared with LAX. That imposes another \$128 million drain on the Inland Empire's air passengers and its economy.

For businesses, perhaps the most deleterious impact of ONT's mismanagement has been the loss of non-stop flights to major U.S. markets and the extra time it now takes to travel. To estimate the lost time, the flight time to ONT's 38 major destinations was estimated and compared to the time from LAX. The longer time from ONT was due to the lack of availability of non-stop flights that exist at LAX. In comparing the time loss, it was only assumed that more expensive direct flights would have been used, if they were available at ONT, if they involved a significant time savings for travelers. The range of direct flight usage was put at 7.5% to 16% of potential passengers. Using this technique, the hours lost time to inland travelers who would have opted for non-stop flights, were they available, was estimated at 419,187 hours. As it would primarily be business travelers opting for these more expensive flights, an hourly rate based upon annual salary of \$70,000 was assumed even though the area's average income for better paid workers is \$86,806. The result was a cost of lost time of \$17.5 million for inland air passengers and the local economy.

In sum, the cost to Inland Empire air passengers and the costs to its economy is \$198.3 million a year. This is a very conservative estimate as it does not include the cost to local hotels of the loss of conventions and tourism customers. For business leaders, it also does not include the time loss of being forced to use a limited flight schedule and then sitting around for hours before and after meetings. Importantly, it does not include the multiplier impact of pulling dollars out of the region's economy. When those considerations are included, the actual cost to the region would be in the \$500 million range.

For what would be America's 26 largest state, it only makes sense to have it controlled by a local multi-jurisdictional airport authority such as been created in the Ontario International Airport Authority.

Thank you.

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### **JOHN HUSING, Ph.D.**



Dr John Husing is a research economist who has specialized in the study of Southern California's growing economy since 1964. His M.A. and Ph.D. are from Claremont Graduate University. For decades, he has produced city and county specific economic development strategies for Southern California's local governments. He is also a leading authority on the impact of the goods movement industry on the region, and in particular its role as a provider of upward economic mobility to blue collar workers. He served as the economist reviewing and recommending strategies for the Clean Truck Program at the ports of Los Angeles and Long Beach. With his significant understanding of San Bernardino and Riverside counties, he assists the Inland Empire Economic Partnership as its Chief Economist. In 2006, the Los Angeles Times Magazine listed Dr. Husing as one of the 100 most powerful people shaping life in Southern California.

Dr. Husing's extensive study of the region has led to economic strategies that combine a database of statistics with extensive interviews with executives and entrepreneurs to understand the forces shaping Southern California. His firm, Economics & Politics, Inc., based in Redlands, has produced project specific economic impact studies for transportation and water agencies, housing developers and environmental entities. Today, his prolific knowledge of the region and his lifetime of experiences has him briefing business leaders and policy makers throughout California on the economic trends and issues relating to budgets, state initiatives and public policy. His eclectic career has remarkably included managing a Nevada casino, running for Congress in his twenties, teaching college and running the world's largest whitewater rafting company.

Dr. Husing enjoys a less studious life as an adventurer, taking treks into uncharted territories as well as traveling to 56 different countries. He has twice entered the unexplored jungles of New Guinea to make first contact with previously undiscovered stone-aged tribes. Dr. Husing has traveled throughout most of Africa and his last adventure trip took him over the Himalayas from Nepal into Tibet. A fourth generation Californian, he is an amateur genealogist having traced his American heritage back 12 generations to Edward Fuller on the Mayflower.

**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE**  
*Truth in Testimony Disclosure*

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Pursuant to clause 2(g)(5) of House Rule XI, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

**(1) Name:**

John E. Husing, Ph.D.

**(2) Other than yourself, name of entity you are representing:**

Inland Empire Economic Partnership, City of Ontario

**(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity? YES**

YES

If yes, please provide the information requested below and attach your curriculum vitae.

NO

**(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:**

NONE



\_\_\_\_\_  
Signature

September 22, 2012

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Date